

Your CalPERS Benefits

# Alternate Retirement Program



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## INTRODUCTION

This publication contains important information for new, first-time State miscellaneous and industrial employees hired on or after August 11, 2004, who qualify for CalPERS membership.

While these new employees are officially CalPERS members, they are initially enrolled in the Alternate Retirement Program (ARP), which treats employee retirement contributions and service credit differently from regular CalPERS members during their first two years of employment.

Four years after their enrollment date in the program, ARP participants will make an important decision that may affect the amount of their future CalPERS retirement benefit.

The information in this booklet applies to the vast majority of ARP participants in common situations. For more detailed information that is updated regularly, visit the Alternate Retirement Program section of the CalPERS On-Line Web site at [www.calpers.ca.gov](http://www.calpers.ca.gov).

## WHO IS AFFECTED BY ARP

If you are a new, first-time State miscellaneous or industrial employee hired on or after August 11, 2004, and you qualify for CalPERS membership, you are automatically enrolled in ARP during your first two years of employment. ARP is administered by the State Department of Personnel Administration (DPA), not CalPERS.

State safety, patrol, California State University, University of California, school and public agency employees, individuals who were members of CalPERS prior to August 11, 2004, even if they later terminated their membership, and individuals who establish CalPERS membership within six months of movement from a reciprocal retirement system, are not affected.

You are not affected if you were previously hired by a State agency prior to August 11, 2004, even if you did not establish CalPERS membership based on that employment, and then later are hired by the State as a miscellaneous or industrial employee and establish CalPERS membership on or after August 11, 2004.

Only newly hired State miscellaneous and industrial employees are affected by ARP.

## HOW ARP WORKS

Typically, CalPERS members make a monthly retirement contribution to CalPERS that equals approximately 5 percent of salary, although the amount can vary for different employee bargaining units. The member also earns retirement service credit. These two provisions do not apply to ARP participants during their first two years of employment.

If you are covered by ARP, you do not make CalPERS retirement contributions or receive CalPERS service credit during your first two years of employment. Instead, the State automatically deducts an amount equal to your CalPERS contribution and deposits the money into a special tax-deferred ARP savings account managed by DPA.

The two-year ARP period begins on your enrollment date and continues uninterrupted even if you separate from State employment and do not contribute to ARP for a period of time.

If you separate from State employment at any time during your ARP period but later resume State employment before the two years have passed since your enrollment date, you automatically return to the program until the conclusion of your ARP period.

If you return to State employment at any time following the conclusion of your two-year ARP period, you will immediately begin to make CalPERS retirement contributions and receive CalPERS service credit.

## TWO YEARS AFTER ENROLLMENT IN ARP

Two years after your enrollment date in ARP, your ARP deductions end and you begin making regular monthly retirement contributions to CalPERS and you start earning CalPERS service credit. The State also begins making retirement contributions to CalPERS on your behalf. However, all of the contributions and interest accumulated in your ARP account during your first two years of employment remain in your ARP account at DPA.

After two years have passed since your enrollment date in ARP you will transition to full CalPERS membership. Depending on your job classification, you will be designated either a State miscellaneous or industrial First Tier retirement plan member. Contact your personnel office for more information.

## FOUR YEARS AFTER ENROLLMENT IN ARP

Four years after your enrollment date in ARP — from 47 to 49 months — you will have an important decision to make. This is an important decision because CalPERS provides you with a lifetime retirement benefit based on your pay rate, retirement formula, and years of service. During the three-month election period, you have a one-time opportunity to:

- Elect to transfer the funds in your ARP account to CalPERS and receive CalPERS service credit for your first two years of employment,\* or
- Request a lump-sum distribution from your ARP account.

If you take no action, and you are still employed by a State agency, the funds in your ARP account will be automatically transferred into a DPA-administered Savings Plus Program 401(k) retirement savings account.

You make the decision regarding what you want to do with your ARP account funds during a three-month election period starting on the first day of the 47th month following your enrollment date in ARP and ending on the last day of the 49th month.

You should receive a letter during the 45th month following your enrollment date in ARP notifying you of the upcoming ARP election. If you separate from State employment at any time after your ARP enrollment date, you are still eligible to participate in the ARP election as long as you have ARP funds at DPA and you maintain your membership in CalPERS or have established membership with a reciprocal retirement system within six months of separating from CalPERS-covered employment.

## SERVICE CREDIT AND YOUR RETIREMENT

While the decision about what you want to do with your ARP account is yours, you should be aware that in most cases, the additional ARP service credit will increase your monthly CalPERS retirement benefit allowance when you retire. Transferring the funds to CalPERS will allow you to receive CalPERS retirement service credit based on your employment during the first two years of ARP participation.\* Remember, you must make this decision during the three-month period between the 47th and 49th month of employment with the State.

After the 49th month of employment, you can purchase your ARP service credit but you will be responsible for all costs, which will be substantially higher than the amount in your ARP account. The cost will be determined by our staff using the “present value” method, which includes member and employer contributions and is based on your highest pay rate and other actuarial factors.

## HOW SERVICE CREDIT AFFECTS YOUR RETIREMENT BENEFIT

The amount of service credit is one of the key factors, along with your benefit factor and final compensation, that are used to calculate your retirement benefit allowance. Let's assume that you work a total of 22 years with the State. You retire at age 55 under the 2%@55 formula with a final compensation average of \$4,000 per month. In this example, we compare your unmodified allowance with and without two years of ARP service credit.\*

### Example I: 20 years (without ARP service credit)

20	x	2%	=	40%	x	\$4,000.00/month	=	\$1,600.00/month
Service Credit		Benefit Factor				Final Compensation		Unmodified Allowance

### Example II: 22 years (with two years of ARP service credit)

22	x	2%	=	44%	x	\$4,000.00/month	=	\$1,760.00/month
Service Credit		Benefit Factor				Final Compensation		Unmodified Allowance

**Note:** If you participate in Social Security, your final compensation average for retirement benefit calculation purposes is reduced by \$133.33 per month, as required by law. In order to simplify the illustration above, we have already subtracted the \$133.33 from the final compensation average.

### \*Please Note

If you elect to transfer funds in your ARP account to CalPERS and receive retirement service credit for your first two years of employment, the amount of service credit you receive will be based on the actual amount of time worked during your two years of ARP participation— which may be less than two years. For example, if you worked half time during the first two years, 20 hours per week, you would receive approximately one year of service credit.

## BECOME A MORE INFORMED MEMBER

### CalPERS On-Line

Visit our Web site at [www.calpers.ca.gov](http://www.calpers.ca.gov) for more information on all your benefits and programs.

### Reaching Us By Phone

Call us toll-free at **888 CalPERS** (or 888-225-7377).

Monday to Friday, 8:00 a.m. to 5:00 p.m.

TTY: For Speech & Hearing Impaired (916) 795-3240

### my|CalPERS

Doing business with CalPERS is now easier than ever with my|CalPERS. Our online services are now available in my|CalPERS, our new personalized, secure Web site, providing you all your retirement, health, and financial information in one place...with just a click of your mouse.

With my|CalPERS, you can:

- Get quick and easy access to all of your account information.
- Keep informed with CalPERS News.
- Learn more about CalPERS products and services that are best suited for you in your career stage.
- Access information about health plans available in your area and get all the information you need to make health plan decisions.
- Update your contact information and online account profile.
- View, print and save online statements.
- Check statuses of requests to purchase Service Credit or applications for Disability Retirement.
- Use planning tools to calculate your retirement estimate, estimate your service credit cost, and request a staff-prepared retirement estimate.
- Access financial planning tools to help you create a forecast for your future.

Log In today at [my.calpers.ca.gov](http://my.calpers.ca.gov)

### CalPERS Education Center

Our new CalPERS Education Center offers you quick access to all of the classes and instruction you need to be prepared and informed while making important decisions about your CalPERS benefits and your future. Take advantage of the convenience of anytime, anywhere access to our educational resources. Be empowered with all the necessary and important information you need today.

It's easy to get started. Access the CalPERS Education Center from CalPERS On-Line directly from our home page at [www.calpers.ca.gov](http://www.calpers.ca.gov). Retirement planning classes are available, whether you are in the early stages of your career, just starting to plan your retirement, or getting ready to retire.

## Visit Your Nearest CalPERS Regional Office

Visit the CalPERS Web site for directions to your local office.  
Monday to Friday, 8:00 a.m. to 5:00 p.m.

### **Fresno Regional Office**

10 River Park Place East, Suite 230  
Fresno, CA 93720

### **Glendale Regional Office**

Glendale Plaza  
655 North Central Avenue, Suite 1400  
Glendale, CA 91203

### **Orange Regional Office**

500 North State College Boulevard, Suite 750  
Orange, CA 92868

### **Sacramento Regional Office**

Lincoln Plaza East  
400 Q Street, Room E1820  
Sacramento, CA 95811

### **San Bernardino Regional Office**

650 East Hospitality Lane, Suite 330  
San Bernardino, CA 92408

### **San Diego Regional Office**

7676 Hazard Center Drive, Suite 350  
San Diego, CA 92108

### **San Francisco Regional Office \***

301 Howard Street, Suite 2020  
San Francisco, CA 94105

### **San Jose Regional Office**

181 Metro Drive, Suite 520  
San Jose, CA 95110

\* San Francisco Regional  
office will be moving to a  
new location in early 2008.



## INFORMATION PRACTICES STATEMENT

The Information Practices Act of 1977 and the Federal Privacy Act require the California Public Employees' Retirement System to provide the following information to individuals who are asked to supply information. The information requested is collected pursuant to the Government Code (Sections 20000, et seq.) and will be used for administration of the CalPERS Board's duties under the California Public Employees' Retirement Law, the Social Security Act, and the Public Employees' Medical and Hospital Care Act, as the case may be. Submission of the requested information is mandatory. Failure to supply the information may result in the System being unable to perform its function regarding your status and eligibility for benefits. Portions of this information may be transferred to State and public agency employers, State Attorney General, Office of the State Controller, Teale Data Center, Franchise Tax Board, Internal Revenue Service, Workers' Compensation Appeals Board, State Compensation Insurance Fund, County District Attorneys, Social Security Administration, beneficiaries of deceased members, physicians, insurance carriers, and various vendors who prepare the microfiche or microfilm for CalPERS. Disclosure to the aforementioned entities is done in strict accordance with current statutes regarding confidentiality.

You have the right to review your membership file maintained by the System. For questions concerning your rights under the Information Practices Act of 1977, please contact the Information Coordinator, CalPERS, 400 Q Street, P.O. Box 942702, Sacramento, CA 94229-2702.

*While reading this material, remember that we are governed by the Public Employees' Retirement Law and the Alternate Retirement Program provisions in the Government Code, together referred to as the Retirement Law. The statements in this guide are general. The Retirement Law is complex and subject to change. If there is a conflict between the law and this booklet, any decisions will be based on the law and not this guide. If you have a question that is not answered by this general description, you may make a written request for advice regarding your specific situation directly to CalPERS.*



**California Public Employees' Retirement System**

400 Q Street  
P.O. Box 942701  
Sacramento, CA 94229-2701

**888 CalPERS** (or 888-225-7377)  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

PUB 10  
July 2007



2007.7.1